Caribbean Information &
Credit Rating Services Limited

RATING RELEASE

December 13, 2024

CariCRIS upgrades its overall rating for the TT $200 million Collateralised Mortgage Obligation of Home Mortgage Bank (HMB CMO 2019-01)

***tt*AA- (SO)** **(National Scale Local Currency)**

Caribbean Information and Credit Rating Services Limited (CariCRIS) has upgraded the overall issue rating assigned to the TT $200 million Collateralised Mortgage Obligation (CMO) of Home Mortgage Bank (HMB) (CMO 2019-01) to *tt***AA-** (SO) on the Trinidad and Tobago (T&T) national scale. This rating indicates that the overall level of creditworthiness of this structured debt obligation, adjudged in relation to other rated debt obligations within T&T is **high**.

The upgrade is underpinned by the improved credit risk profile of the CMO 2019-01 following the successful repayment of Tranche E in March 2024, 12 months ahead of schedule, alongside an improving non-performing loans (NPL) ratio. Furthermore, the early repayment pattern observed from the senior tranches are expected to continue onto the more subordinate tranches which lowers the CMO 2019-01's extension risk.

CariCRIS has revised the individual tranche ratings as follows:

Scale	**Currency**	**Overall Rating Assigned**	**Outlook**
National	Local	*tt***AA- (SO)**	*Stable*

Tranches (Series)	**Currency**	**Individual Tranche Ratings Assigned**	**Outlook**
F, G	Local	*tt***AA- (SO)**	*Stable*
H, I		*tt***A+ (SO)**	

CariCRIS has also assigned a **stable** outlook on the ratings**.** The stable outlook is premised on our expectation of continued improvements in economic conditions in T&T in the year ahead, which can largely benefit businesses and households. Therefore, this is expected to support the continued stability of CMO 2019-01's overall credit risk, with a slight improvement in asset quality anticipated alongside the derisking of the transaction as payments continue to be made ahead of schedule over the next 12-15 months.

The rating of CMO 2019-01 reflect the simple transaction structure, with an effective built-in credit enhancement, and legal and regulatory framework that provides adequate protection to investors. The ratings are further backed by the good credit quality of the securitised mortgage pool, with some notable improvements, as well as the continued good underwriting practices from the Trinidad and Tobago Mortgage Bank (TTMB), the mortgage originator. These rating strengths are constrained by the mortgage pool seasoning which could increase default risk.

About the Transaction:

CMO 2019-01 is a structured finance debt instrument issued by the Home Mortgage Bank (HMB) to securitise residential mortgage assets purchased from the Trinidad & Tobago Mortgage Finance Company Limited (TTMF) on the secondary market. On March 21, 2024, TTMF was officially rebranded to the Trinidad and Tobago Mortgage Bank Limited (TTMB), following HMB's acquisition by TTMF. CMO 2019-01 offers participation certificates in 9 tranches in the amount of TT $200 million as follows:

1. **Series A –** TT $25.0 million with an average life of 0.54 years at an initial coupon rate of 2.05%
2. **Series B –** TT $25.0 million with an average life of 1.71 years at an initial coupon rate of 3.05%
3. **Series C –** TT $25.0 million with an average life of 2.90 years at an initial coupon rate of 3.70%
4. **Series D –** TT $25.0 million with an average life of 4.09 years at an initial coupon rate of 4.05%
5. **Series E –** TT $25.0 million with an average life of 5.35 years at an initial coupon rate of 4.75%
6. **Series F –** TT $25.0 million with an average life of 6.72 years at an initial coupon rate of 5.20%
7. **Series G –** TT $25.0 million with an average life of 8.24 years at an initial coupon rate of 5.30%
8. **Series H –** TT $12.5 million with an average life of 9.77 years at an initial coupon rate of 5.65%

9. **Series I –** TT $12.5 million with an average life of 11.49 years at an initial coupon rate of 5.75%

The collateralised assets are held in Trust by First Citizens Trustee Services Limited (FCTS)[1], governed by the laws of the Republic of Trinidad & Tobago (T&T) and established by a Declaration of Trust. The investment security has monthly coupon payments that are payable to all certificate holders and the principal for each tranche available for distribution (Series A to I) are being paid sequentially as the underlying mortgages are repaid. Thus, Series A was fully repaid before principal repayment started on Series B and so on. Certificates are structured to enable investors to participate in the acquisition and ownership of a pool of residential mortgages. Each Certificate represents an undivided beneficial ownership interest in the Mortgage Pool. HMB has also issued 2 Tranches, T and R, that will not be available for distribution[2]. As at the date of this report, Tranche A, B, C, D and E have been fully repaid.

The CMO Certificates aim to diversify HMB's funding tools, generate liquidity and manage HMB's gearing position[3]. The purpose of the CMO, therefore, is to provide funding to HMB to acquire mortgage loans on the secondary market from Approved Mortgage Lenders and to meet HMB's corporate financing needs.

Following its acquisition, HMB, as Issuer of the security, appointed FCTS as the Trustee in June 2024. TTMB remains the Administrator of the transaction. HMB also performs the roles of Registrar and Paying Agent. The appointed legal advisors for the transaction are the law firms, Pollonais, Blanc, de la Bastide & Jacelon and MG Daly & Partners.

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[1] *Prior to the acquisition of HMB by TTMB, the mortgages were held in Trust by TTMB. First Citizens Trustee Services Limited (FCTS), a wholly owned subsidiary of First Citizens Group Financial Holdings Limited (FCGFH), has the responsibility to ensure that clients' plans operate in compliance with its Trust Deed and Rules, and with governing legislation, namely the Income Tax Act Chap 75:01 and the Insurance Act.*

[2] *These are represented via Certificates issued to HMB by the Trustee on transfer of the Mortgage Pool. Tranche T represents an interest only Tranche with a notional principal amount equivalent to 0.25% per annum paid monthly on the Aggregate Unpaid Principal Balance. It is structured to meet the Trust's obligations to its Trustee at the end of each Due Period. Tranche R is payable to HMB and will be utilised as part of its general working capital cash flows. It represents monthly surplus receipts from the Mortgage Pool after payment to all Certificate Holders and the Trustee. Surplus receipts are derived from the interest rate differential between the Mortgage Pool Rate and the interest rate payable on the Certificates and the principal and interest payments from the over-collateralisation of the Mortgage Pool.*

[3] *HMB has effectively managed its ability to fund its activities efficiently by growing its balance sheet. HMB's interest coverage ratio and gearing ratio stood at 1.6 times and 1.7 times respectively as at December 2023.*

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This represented the third CMO issued by HMB, with the previous two successfully issued in 1999 and 2000 respectively. Subsequently, HMB issued two more CMOs; CMO 2020-01 and CMO 2022-01 in March 2020[4] and April 2022[5] respectively.

For more information on HMB CMO's ratings, please visit www.caricris.com or contact:

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[4] *CariCRIS' overall rating for the HMB CMO 2020-01 was upgraded to tt**AA- (SO)** with a stable outlook assigned in September 2024.*

[5] *CariCRIS' overall rating for the HMB CMO 2022-01 was reaffirmed at tt**AA- (SO)** with a stable outlook assigned in March 2024.*

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Home Mortgage Bank's Collateralised Mortgage Obligation – CMO 2019-01

RATINGS UPDATE:

Home Mortgage Bank's Collateralised Mortgage Obligation (CMO 2019-01) Rating Upgraded to *tt*AA- (SO) on the Trinidad and Tobago national scale; Stable Outlook assigned.

RATING ACTION:

On December 5, 2024, CariCRIS upgraded the overall issue rating to ***tt*AA- (SO)** on the Trinidad and Tobago (T&T) national scale to the TT $200 million Collateralised Mortgage Obligation (CMO) of **Home Mortgage Bank (HMB) (CMO 2019-01).** A stable outlook was assigned.

RATING SENSITIVITY FACTORS:

Factors that could, individually or collectively, lead to an improvement of the rating and/or outlook:

- An improvement in the loan portfolio quality, with an NPL ratio of lower than 3% sustained for 2 years
- A return to delinquency levels of 2% - 4% within the underlying mortgage pool over the next 12-15 months.

Factors that could, individually or collectively, lead to a lowering of the rating and/or outlook:

- Persistent and further deterioration in the mortgage pool quality with delinquency levels of above 22% and/ or NPL ratio of above 8% within the underlying mortgage pool leading to heightened extension and/ or default risk over the next 12-15 months.
- Consistent cash flow shortfalls in the underlying mortgage pool over the next 12-15 months that may impair payments of principals and interests.
- A deterioration in the credit risk profile of T&T leading to increased market risk.

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RATING METHODOLOGY

The rating methodology followed in assigning the rating to the CMO is consistent with that utilised by the international rating agencies for rating securitised debt/structured obligations. Further, CariCRIS worked closely with CRISIL in conducting this rating, who served as a peer review for the initial assignment.

The rating methodology consists of an assessment of the following:

i. **Credit Risk –** This involves an analysis of the nature of the underlying mortgages, the robustness of the origination processes, past performance of the originator's overall portfolio, and pool characteristics that provide pertinent insights into the credit risks associated with the underlying borrowers.

ii. **Legal and Regulatory Risk** – This considers a review of the legal structure of the CMO and assesses whether the securitised mortgages were appropriately isolated and protected from bankruptcy or insolvency risk. It also considers adherence of the transaction's structure to the relevant local legislation.

iii. **Market Risk** – This involves an analysis of the cash flows of the transaction, as well as the levels of risk arising from the prepayment of mortgages, movement in interest rates, and other macro-economic factors which can impact the performance of the CMO.

iv. **Counterparty Risk –** This considers key counterparties' ability to perform their respective roles competently. This risk is assessed using a combination of qualitative and quantitative factors, which include the quality of processes and systems at counterparties. The assessment also references the entities' credit ratings as a proxy for the counterparties' ability to continue to perform satisfactorily over the tenure of the transaction. Consideration is also given to experience in handling similar securitisation transactions.

Based on the combined Credit Risk, Legal and Regulatory Risk, Market Risk and Counterparty Risk ratings, CariCRIS arrived at an overall stand-alone issue rating for HMB's CMO 2019-01. Finally, the priority of principal repayment and order of allocation of losses if applicable, were considered to determine the rating of the individual tranches of the structured obligation. In conducting the annual review of the rating assigned, all 4 risk parameters were revisited to determine any material changes and assess the impact on the ratings assigned to the structured obligation. CariCRIS also assessed the actual principal and interest payments made, relative to the agreed payment structure, as well as the instrument's performance thus far as compared to projected/expected returns. Additionally, a comparison was made between the mortgage portfolio experience and investor payment history of HMB CMO 2019-01 with that of HMB CMO 2020-01 and HMB CMO 2022-01.

RATING RATIONALE

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The upgrade is underpinned by the improved credit risk profile of the CMO 2019-01 following the successful repayment of Tranche E in March 2024, 12 months ahead of schedule, alongside an improving non-performing loan (NPL) ratio. Furthermore, the early repayment pattern observed from the senior tranches are expected to continue onto the more subordinate tranches which lowers the CMO 2019-01's extension risk.

CariCRIS has revised the individual tranche ratings as follows:

Scale	Currency	Overall Rating Assigned	Outlook
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CariCRIS has also assigned a **stable** outlook on the ratings**.** The stable outlook is premised on our expectation of continued improvements in economic conditions in T&T in the year ahead, which can largely benefit businesses and households. Therefore, this is expected to support the continued stability of CMO 2019-01's overall credit risk, with a slight improvement in asset quality anticipated alongside the derisking of the transaction as payments continue to be made ahead of schedule over the next 12-15 months.

The ratings are supported by the following:

RATING DRIVERS	
Key Strengths	**Key Risk**
Simple transaction structure, with an effective built-in credit enhancement.	Mortgage pool seasoning could increase default risk.
Good credit quality of securitised mortgage pool, with some notable improvements.	
Continued good underwriting practices of TTMB, the originator of the mortgages within the pool.	
Legal and regulatory framework supporting the transaction provides adequate protection to investors.	

Credit Risk Rating: AA- (High)

The CMO 2019-01 structure comprises of 9 series or tranches with varying remaining tenors, coupon rates, risk profiles and payment options. To date, 5 tranches have been repaid and the CMO is fully subscribed. Included in the CMO structure are (i) a collateral coverage of 112.9%[1], up from 109.9% previously, and (ii) an excess interest spread (EIS) (or Tranche R) of TT $59.1 thousand as at August 2024. Together, these serve as an effective credit enhancement by absorbing losses should it occur. Any losses are first paid out of the EIS on an ongoing monthly reconciliation basis. Thereafter, the liquidity reserve, captured by the over-collateralisation, serves as an effective cushion that can be used for payment shortfalls or losses for a period. The 112.9% collateral coverage offers adequate protection from any delayed mortgage payments as the cash flows from the surplus assets (interest and principal) are available to meet obligations to investors. As such, CariCRIS believes that the deal structure provides additional credit support to the transaction.

The CMO 2019-01 transaction consists of the securitisation of 332 residential mortgage loans, valued at TT $75.6 million as at August 31, 2024, which form the mortgage pool

[1] *Embedded in the structure of the CMO 2019-01 is the requirement to maintain a collateral coverage ratio of 104%.*

and the transaction's underlying collateral. These were acquired by HMB on the secondary market from the Trinidad and Tobago Mortgage Bank (TTMB)[2] (formerly known as the Trinidad and Tobago Mortgage Finance Company Limited (TTMF)) and are each fully secured by a 1st lien on a residential property[3]. The securitised loans in the mortgage pool are adjustable (or variable) rate mortgages, with an average interest rate of 7.00% per annum. At the time of origination, all mortgages within the pool met TTMB's normal lending criteria[4], and at the time of issue of the CMO 2019-01[5] were all current with no history of arrears. As at August 31, 2024, 69 of the 332 mortgages in the pool were considered delinquent[6] (>30 days outstanding) which accounted for a cumulative 22.7% of the outstanding principal balance of the mortgage pool, compared to 22% as at August 2023 (Table 1). Notably, 13 mortgages or 3.7% of the mortgage pool were considered non-performing (loan delinquencies > 90 days) as at August 2024, down for a 2nd consecutive year, from 4.8% as at August 2023 (Table 1) and consistently remained below 5% during the last year.

Table 1
Mortgage Pool Credit Quality as at August 31, 2024 and August 31, 2023

Mortgage Pool Ageing Analysis	As at August 2024			As at August 2023		
	No. of Mortgages	Aggregate Mortgage Pool Value (TT $)	% of Mortgage Pool	No. of Mortgages	Aggregate Mortgage Pool Value (TT $)	% of Mortgage Pool
0 - 30 days	263	58,419,328	77.3%	300	74,720,525	78.0%
31 - 60 days	50	12,948,416	17.1%	46	13,781,651	14.4%
61 - 90 days	6	1,483,422	2.0%	13	2,680,259	2.8%
91 - 180 days	6	1,116,819	1.5%	11	2,612,041	2.7%
> 181 days	7	1,635,001	2.2%	9	2,031,382	2.1%
Total	332	75,602,986	100.0%	379	95,825,858	100.0%

Source: HMB

The improvement in the NPLs was due to the continued implementation of TTMB's delinquency management strategies[7] and proactive arrears management[8]. This also

[2] *Mortgages were acquired during the period December 2016 to October 2017.*
[3] *The residential property types include homes of one to four dwellings, townhouses, individual condominium units, manufactured homes, or individual units in planned unit developments.*
[4] *These criteria include having a gross debt service ratio (GDSR) and a total debt service ratio (TDSR) of 30% and 40% respectively, coupled with the term of all mortgages not exceeding the borrowers' retirement age. GDS includes monthly principal and interest payments required on the loan applied for, while TDS includes monthly payments required on credit cards, instalment loans and other debts plus payment on the loan applied for.*
[5] *March 1, 2019.*
[6] *Loans that are not paid as agreed on the due date. Delinquency begins on the day after the first missed payment.*
[7] *These measures included the restructuring of loan facilities, extensions of moratorium terms and rescheduling payment obligations.*

contributed to the relatively stable delinquency levels, though still elevated, underpinned by a decline in economic activity reported for the 3rd quarter of 2023. Notably, since January 2023, there has been no shortfall in cash flows to service CMO investors compared to the past 4 years, when periodic cash shortfalls were experienced. This supported HMB's early repayment of Tranche E, 12 months ahead of schedule, further derisking the CMO 2019-01. Further strengthening the credit risk profile, in March 2024, HMB began the repayment of Tranche F[9], 12 months ahead of schedule, with 32.2% of the principal repaid as at August 2024. Further, the average Loan to Value (LTV) ratio[10] of mortgages in the pool also improved to 25% from 27% previously, suggesting a low risk of loss in the event of default of the underlying mortgages.

The mortgage pool comprises of mortgages underwritten across 17 locations[11] in T&T as at August 2024, providing good geographic diversification to the investor. With the top 5 locations accounting for 59.9% or TT $45.3 million of the portfolio, this minimises the risks that are location specific such as adverse weather conditions. Furthermore, when viewed more broadly by region in T&T, the largest group of underlying mortgages (36.8%), valued at TT $27.8 million, is in East Trinidad (Chart 1). With this location spread, CariCRIS is of the view that the mortgage pool offers investors moderate geographical diversification.

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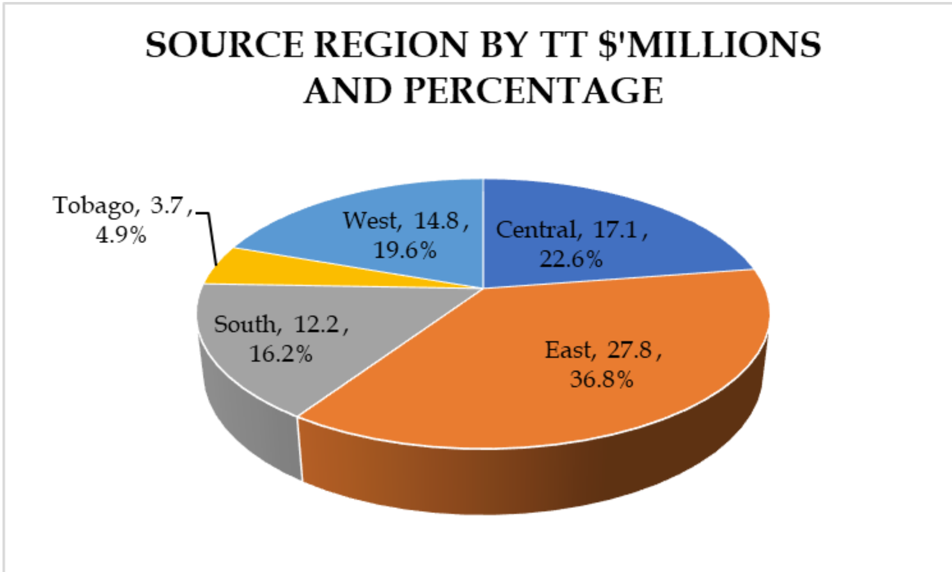
[8] As at August 31, 2024, for mortgages greater than 90 days in arrears, all are in process of developing new payment schedules, filing legal claims through attorneys, listing properties for sale, or establishing pay-off agreements.
[9] Tranche F is expected to be fully repaid by August 2025.
[10] Total principal balance of the Mortgage Pool divided by Total appraised value of properties held as collateral by the Trustee.
[11] Down from 18 locations as at August 2023. This was due to the repayment of one mortgage from the Point Fortin Borough Council over the last 12 months which eliminated the mortgage pool exposure to this location.

Chart 1
Mortgage Pool Location Analysis by Region (as at August 2024)



Source: HMB

CariCRIS has assessed the credit quality of the original borrowers as good, given the relatively stable income of salaried workers, in line with mortgages underwritten by the originator. Further supporting the credit quality is the well-diversified collateral pool by location which mitigates any force majeure impacts to specific areas. The continued improvement in the CMO's collateral coverage alongside the good asset quality underpinned by a further decline in NPL levels and healthy credit quality of the mortgage pool are viewed as credit positives. Moreover, the early repayment of tranches and enhanced LTV ratio supports the derisking of the transaction. These factors collectively contribute to our 1-notch uplift to the credit risk rating and resultantly, the overall rating. Nonetheless, the delinquency of the mortgage pool would continue to be closely monitored, notwithstanding relatively stable levels year-on-year (y-o-y).

TTMB is the originator of the mortgages and continues to maintain a good originator risk profile supported by its mortgage loan approval process and proactive approach towards the collection of instalments which is strictly adhered to. TTMB's mortgage loans are classified based on the arrears position at the end of the respective financial year, in addition to other factors that may hamper the quality of the portfolio. The robustness of TTMB's risk and underwriting framework has supported a relatively high concentration of high-grade (stage 1) mortgages since inception of the TT $200 million CMO, averaging 87.2% over the previous 3 years (2021 to 2023) (Table 2). In 2023, the concentration of stage 1 assets was relatively in line with the 3-year average at 87%, though slightly down from the 2022 outturn of 87.5%. Counteracting this decline was a marginally higher concentration of stage 2 mortgages to 3.1% compared to 2.7% previously.

Table 2
TTMB's Credit Quality of Mortgage Loans (2021 – 2023)

Grade	2023^	% of Total	2022^	% of Total	2021^	% of Total
	TT$ 'Millions					
Stage 1*	4,056.1	87.0	3,927.8	87.5	3,645.6	87.1
Stage 2**	144.8	3.1	119.5	2.7	121.5	2.9
Stage 3***	302.9	6.5	289.9	6.5	276.6	6.6
Individually Impaired****	160.7	3.4	153.3	3.4	141.0	3.4
Total	4,664.5	100.0	4,490.5	100.0	4,184.7	100.0

Source: TTMB Audited Financials

^Financial Year Ends December 31st

**Mortgage loans with all loan payments up to date*

***Mortgage loans with loan payments that are no more than 6 months in arrears*

****Mortgage loans with loan payments over 6 months in arrears*

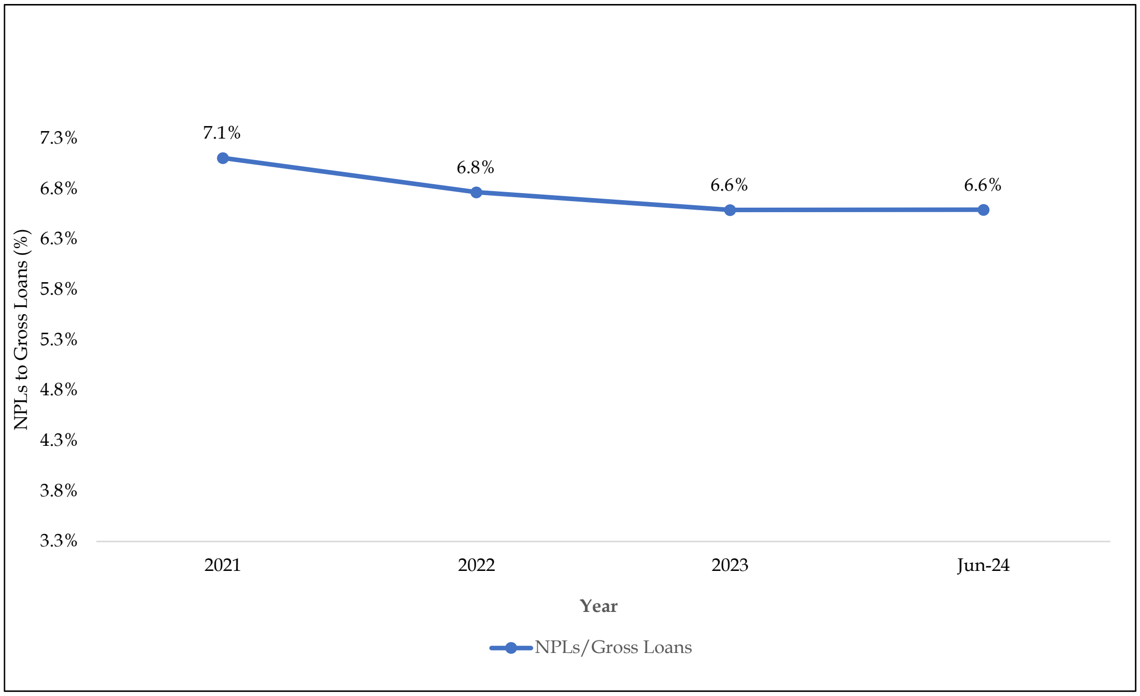
*****Mortgage loans that are not being serviced, legal action is being taken against the mortgages and specific provisions are made for the impaired portion*

As at June 2024, TTMB's NPL to gross loans ratio marginally improved to 6.6% from 6.8% one year earlier (Chart 2) still higher than the average for T&T's non-bank financial institutions (NBFIs) which stood at 4.5%[12]. The improvement in TTMB's asset quality was attributable to a 4.1% increase in its total gross performing loans to TT $4.2 billion, which outpaced the y-o-y growth across its NPL and delinquent[13] loan categories[14]. TTMB continues to actively manage its asset quality in line with its Delinquency Management Policy. This includes the regular review of these portfolios with prioritization of high-risk loans. Additionally, there continues to be a proactive approach

[12] *Source: Central Bank of Trinidad and Tobago (CBTT).*
[13] *Delinquent loans are defined as the sum of loans in arrears over 11 days given that the Trinidad and Tobago Mortgage Bank (TTMB) has a 10-day period for standing orders to be processed and cleared.*
[14] *As required by International Financial Reporting Standards (IFRS) 3 and 10, HMB's financial performance was consolidated into TTMB's financial statements effective March 2024. Consequently, TTMB's loan portfolio substantially expanded to TT $6.7 billion as at June 2024, of which TT $2.2 billion came from HMB. This resulted in the addition of commercial and project financing loans to TTMB's overall loan portfolio, thus enhancing its diversity.*

towards the collection of instalments. These adjustments are expected to support an improvement in collection rates on delinquent mortgages contained in the CMO.

Chart 2
TTMB's Gross NPLs/ Gross Loans (2021 – June 2024)



Source: TTMB Annual Report

Going forward, CariCRIS expects the projected gradual improvement in T&T's economic conditions[15] alongside TTMB's continued efforts through its delinquency management programme and proactive approach towards the collection of instalments to further improve asset quality. Under these circumstances, CariCRIS expects the NPLs to gross loans ratio to improve to around 6.3% in 2024 and subsequently to 6.2% by the end of 2025. Notwithstanding this, CariCRIS will continue to closely monitor the asset quality of the loan portfolio. As such, the rating on the portfolio risk parameter of CMO 2019-01 has been reaffirmed.

In CariCRIS' view, the credit risk profile of HMB CMO 2019-01 has improved over the last 12 months following the further improvement in the NPL ratio, meeting CariCRIS' upside Rating Sensitivity Factor for a 2[nd] consecutive year, albeit continued elevated

[15] *The International Monetary Fund (IMF) estimates real gross domestic product (GDP) growth of 2.1% in 2023 and projects 2.4% growth in 2024. Source: IMF, World Economic Outlook (WEO)- April 2024.*

delinquency levels. This, in addition to the continued improvement in the collateral coverage and successful repayment of Tranche E together with the early commencement of payments on Tranche F, which further derisks the transaction, bolsters the credit risk profile. Additionally, given the continued early repayments of senior tranches, CariCRIS expects that the more subordinate tranches are also likely to be repaid ahead of its expected date thus reducing extension risks. These factors collectively contribute to our 1-notch uplift to the credit risk rating and resultantly, the overall rating. Additionally, it is expected that CMO 2019-01's credit risk profile will continue to display high creditworthiness over the next 12 to 15 months, supported by repayments of outstanding tranches and expectations of economic growth in T&T; underpinning our stable outlook. Notwithstanding this, CariCRIS will continue to monitor the activities of TTMB and the delinquency levels of the entity's mortgage portfolio.

Legal and Regulatory Risk Rating: Low

There was no change to the role of the Originator and Administrator over the last year. TTMB continues to perform its functions[16] in a timely manner and in compliance with the rules[17] set out in the CMO transaction. Moreover, the Trust[18], which is managed by the Trustee, First Citizens Trustee Services Limited (FCTS) since June 2024, is governed by the laws of the Republic of T&T and operates in compliance with the Income Tax Act Chapter 75:01 and the Insurance Act 2018. Notably, all other legal and regulatory contractual consents of the CMO 2019-01 remained unchanged from our December 2023 report. Resultingly, CariCRIS is of the view that over the next 12 to 15 months the legal and regulatory risks of CMO 2019-01 would remain low given that the mortgages held in the Trust cannot be challenged, voided or otherwise reversed in an insolvency of TTMB due to the 'true and valid sale' feature or that bankruptcy remoteness of the mortgage pool is not expected.

[16] *As Administrator, TTMB collects monthly payments from borrowers and "passes through" the principal and interest to investors.*

[17] *The underlying investment of the CMO transaction is a "closed-end pool" of 1st ranking rights over adjustable-rate residential mortgages. Notably, no new mortgages can be added to the CMO following its issuance.*

[18] *The mortgages within the mortgage pool held in Trust are not assignable to any other investment opportunity.*

Market Risk Rating: Moderate

The performance of the mortgage pool remains closely linked to the performance of the T&T economy given that all the mortgages were originated within T&T. Based on the latest official data from the Central Statistical Office (CSO) over the 3rd quarter of 2023, real Gross Domestic Product (GDP) growth slipped by 2.3% due to a contraction in the energy sector (10.3%), which overshadowed the expansion in non-energy sector activity (1.3%). The contraction in energy sector stemmed from the continued decline in output of crude oil and natural gas from mature fields over this period. Moreover, labour market conditions remained subdued as the unemployment rate stood at 5.4% in the 1st quarter of 2024, up from 4.9% for the same period in 2023[19]. According to the latest available data from the Central Bank of Trinidad and Tobago (CBTT), headline inflation[20] reduced to 1.0% as at June 2024, compared to 5.5% one year earlier. Further, despite a deterioration in T&T's net official reserves to US $5.5 billion as at August 2024 from US $6.3 billion one year earlier[21], it remains among the highest when compared to most regional counterparts[22] which bodes well for the economy's response to any force-majeure events. Additionally, total Government revenue[23] stood at TT $35 billion for the 1st nine months of FY2024[24], down from TT $40.5 billion reported in the prior comparative period. Total Government expenditure stood at TT $39.3 billion compared to TT $40.4 billion in the prior period. As a result, the fiscal deficit stood at TT $4.3 billion for the 1st nine months of FY2024, as compared to a fiscal surplus of TT $88 million for the same period in FY2023.

CariCRIS is of the view that over the next 12 to 15 months the market risk profile of CMO 2019-01 would remain moderate. This is predicated on anticipated improvements in real GDP growth by the International Monetary Fund (IMF)[25] of 2.4% in 2024 and 2.3% in 2025 driven by increased non-energy sector activities. Notably, notwithstanding the current geopolitical uncertainties, the lowering of policy rates globally by many

[19] During this period, the labour force participation rate (LFPR) declined to 54.7% from 55.2% in the same quarter one year earlier, with the labour force contracting by 2,900 persons. The number of persons employed also fell by 5,600.
[20] Source: CBTT Data Centre; Prices; Monthly; Accessed October 8th, 2024.
[21] Source: CBTT Data Centre; Foreign Reserves; Monthly; Accessed October 8th, 2024.
[22] Regional counterparts include Belize (US $474 million), Guyana (US $898.2 million) and Jamaica (US $4.8 billion).
[23] Source: CBTT July 2024 Economic Bulletin.
[24] T&T's fiscal year runs from October 1 to September 30.
[25] Source: IMF, WEO - April 2024.

central banks, and gradual easing of inflationary pressures[26], the CBTT maintained the repo rate at 3.50% as at September 2024.

Counterparty Risk Rating: Low

Over the last year, TTMB and HMB continued to creditably execute their roles as Administrator and Register and Paying Agent respectively. In June 2024, following the acquisition of HMB by TTMB, FCTS was assigned as Trustee for the transaction to avoid any conflicts of interest. This is not expected to impact the creditworthiness of CMO 2019-01 given that FCTS has a strong foundation in administering and managing trust properties and assets, which aligns closely with the requirements for managing the CMO's mortgage pool. As such, CariCRIS has reaffirmed its counterparty risk rating. Upon the final stage of the merger which involves the transfer of the assets and liabilities from HMB to TTMB[27], the liquidation process of HMB will commence. Thereafter, HMB as a legal entity will be dissolved and its operations will be fully merged into TTMB. Over the next 12 to 15 months, CariCRIS will continue to monitor the execution of the liquidation of HMB and the changes in counterparty risks that may arise.

[26] *In T&T, headline inflation is anticipated to remain stable year-on-year (y-o-y) at 0.7% by the end of 2024. Source: CBTT July 2024 Economic Bulletin.*
[27] *TTMB is currently in the process of obtaining all the relevant licenses and approvals to accommodate the operations at HMB.*

Rating Sensitivity Factors

Factors that could, individually or collectively, lead to an improvement in the ratings and/or Outlook:

- An improvement in the loan portfolio quality, with an NPL ratio of lower than 3% sustained for 2 years
- A return to delinquency levels of 2% - 4% within the underlying mortgage pool over the next 12-15 months.

Factors that could, individually or collectively, lead to a lowering of the ratings and/or Outlook include:

- Persistent and further deterioration in the mortgage pool quality with delinquency levels of above 22% and/ or NPL ratio of above 8% within the underlying mortgage pool leading to heightened extension and/ or default risk over the next 12-15 months.
- Consistent cash flow shortfalls in the underlying mortgage pool over the next 12-15 months that may impair payments of principals and interests.
- A deterioration in the credit risk profile of T&T leading to increased market risk.

December 5, 2024

Type of Rating: Structured Obligation (SO)/Issue Rating

Outlook: Stable

Summary Overall Risk Assessment

RISK FACTORS	Previous Assessment	Present Assessment
Credit Risk		
Asset Risk	AA-	AA
Originator Risk	AA-	AA-
Portfolio Risk	A+	A+
Pool-specific Risk	A+	A+
Overall Credit Risk	**A+**	**AA-**
Legal and Regulatory Risk		
Bankruptcy Remoteness or Insolvency Risk	Low	Low
Valid Sale	Low	Low
Compliance	Satisfactory	Satisfactory
Overall Legal and Regulatory Risk	**Low**[1]	**Low**[1]
Market Risk		
Macro-economic Risk or Industry Risk	Moderate[2]	Moderate[2]
Prepayment Risk	Moderate	Moderate
Interest Rate Risk	Moderate	Moderate
Overall Market Risk	**Moderate**[3]	**Moderate**[3]
Counterparty Risk		
Servicer Risk	Moderate	Moderate
Commingling Risk	Low	Low
Credit Enhancement-linked Counterparty Risk	Low	Low
Overall Counterparty Risk	**Low**[4]	**Low**[4]
Overall Rating (Stand-Alone)	*tt* **A+SO***	*tt* **AA-SO***
Notch-Up	**--**	**--**
Overall Rating (National Scale)	*tt* **A+SO***	*tt* **AA-SO***

** SO - Structured Obligation*

1. Low legal and regulatory risks indicate that there is sufficient insulation of the underlying mortgages along with documentation evidencing the same in the event that the originator goes bankrupt. The CMO structure adheres to the T&T Securities and Exchange Commission (S.E.C) and Central Bank of T&T regulatory requirements.

2. In alignment with macroeconomic risk as assessed in HMB CMO 2020-02 and the assignment of a stable outlook on TTMB and HMB in September 2024.

3. Moderate market risks indicate that there are some levels of risks arising from prepayment of mortgages, movement in interest rates, and other macro-economic factors which can impact the performance of the CMO.

4. Counterparty risk is assessed as low as CariCRIS believes the key counterparties i.e. the servicer and designated bank attached to this transaction will perform their respective roles accordingly. CariCRIS assesses counterparty risk using a combination of qualitative and quantitative factors which includes the quality of processes and systems at counterparties and, where required, employs credit rating as a proxy for the counterparties' ability to perform over the tenure of the transaction. Consideration is also given to past experience in handling securitisation transactions.

Caribbean Information & Credit Rating Services Limited

RATING HISTORY				
Date	Currency	Tranches *(Series)*	Individual Tranche Ratings Assigned	
			National Scale	Regional Scale
December 5, 2024	Local	F, G	*tt***AA- (SO)**	*Cari***AA- (SO)**
		H, I	*tt***A+ (SO)**	*Cari***A+ (SO)**
December 6, 2023	Local	E, F	*tt***A+ (SO)**	*Cari***A+ (SO)**
		G, H, I	*tt***A (SO)**	*Cari***A (SO)**
December 7, 2022	Local	D, E, F	*tt***A+ (SO)**	*Cari***A+ (SO)**
		G, H, I	*tt***A (SO)**	*Cari***A (SO)**
December 8, 2021	Local	C	*tt***AA (SO)**	*Cari***AA (SO)**
		D, E, F	*tt***A+ (SO)**	*Cari***A+ (SO)**
		G, H, I	*tt***A (SO)**	*Cari***A (SO)**
December 13, 2018*	Local	A, B, C	*tt***AA (SO)***	*Cari***AA (SO)***
		D, E, F	*tt***AA- (SO)***	*Cari***AA- (SO)***
		G, H, I	*tt***A+ (SO)***	*Cari***A+ (SO)***

** Initial Rating assigned; Rating reaffirmed on December 12, 2019; Ratings for Tranches D-I lowered by 1-notch on March 17,2021.*